



**ANNUAL
REPORT**



**UNION PREMIER
FOOD STORES, Inc.**

A PENNSYLVANIA CORPORATION

FOR FISCAL YEAR ENDED DECEMBER 31, 1939

UNION PREMIER FOOD STORES, Inc.

Operating Super Markets under the name of FOOD FAIR & KING ARTHUR

OFFICERS

SAMUEL FRIEDLAND, *President*
GEORGE FRIEDLAND, *Executive Vice-President*
MYER B. MARCUS, *Vice-President*
BENJAMIN G. KLINE, *Vice-President*
HESS KLINE, *Treasurer*
MYER M. GORDON, *Secretary*
LOUIS STEIN, *General Counsel*

DIRECTORS

GEORGE FRIEDLAND,	Philadelphia, Pa.
SAMUEL FRIEDLAND,	Moorestown, N. J.
MYER M. GORDON,	Philadelphia, Pa.
HESS KLINE,	Philadelphia, Pa.
MYER B. MARCUS,	Philadelphia, Pa.
CHARLES J. McCUE,	Philadelphia, Pa.
JANSEN NOYES,	New York, N. Y.
LOUIS STEIN,	Union City, N. J.
MAURICE WERTHEIM,	New York, N. Y.

TRANSFER AGENT

REGISTRAR & TRANSFER COMPANY
7 Dey St., New York, N. Y.
15 Exchange Place, Jersey City, N. J.

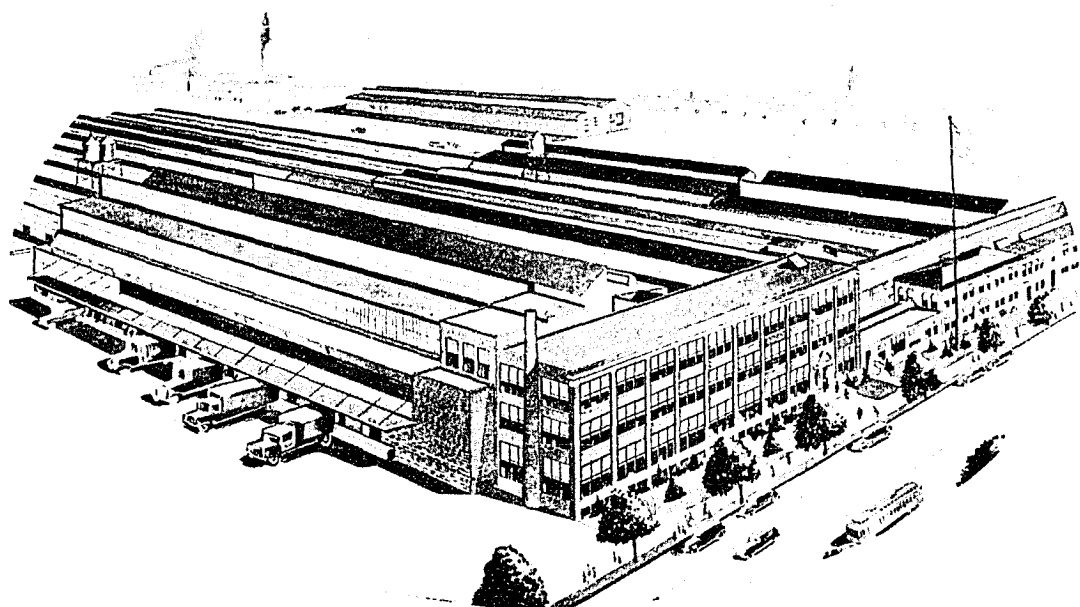
REGISTRAR

BANK OF THE MANHATTAN CO.
40 Wall St., New York, N. Y.

THE COMMON STOCK IS FULLY LISTED ON THE NEW YORK CURB EXCHANGE



*Executive Offices
and Warehouses*



UNION PREMIER FOOD STORES, Inc.
2200 EAST ALLEGHENY AVENUE
PHILADELPHIA, PENNSYLVANIA

Philadelphia, Pa.

March 25, 1940.

To the Stockholders of

UNION PREMIER FOOD STORES, INC.

Your company operates on a fiscal year having thirteen periods of four weeks each. This report covers the fifty-two (52) weeks which began January 2, 1939, and ended December 31, 1939.

The financial condition of your company as at December 31, 1939, and the operations of your company for the fifty-two week period ended on said date, are reflected in the accompanying consolidated balance sheet and consolidated income account reported upon by Messrs. Lybrand, Ross Bros. & Montgomery, certified public accountants.

SALES AND EARNINGS

During the year 1939 your Company continued its steady growth in number of units, gross sales and net earnings. Gross sales for the year increased to \$24,498,783.26 compared with \$18,283,068 for the year 1938, a gain of approximately 34%. Net earnings rose to \$812,832.27 in 1939 from \$612,870.00 for 1938, an increase of 32.6%. These results are particularly gratifying to your officers and directors because 33 units were opened or acquired during the year, whose substantial initial operating costs had to be absorbed, the increase in net earnings, in percentage, closely paralleled the increase in gross sales.

There appears below a table, detailing for the last few years, the number of super markets operated by your Company and its wholly-owned subsidiaries at the end of each year, as well as the annual sales and net earnings for the respective years.

	NUMBER OF UNITS OPERATED AT END OF YEAR	GROSS SALES	NET EARNINGS
1935	9	\$5,669,680	\$121,561
1936	14	8,704,019	361,673
1937	22	13,760,890	460,441
1938	34	18,203,068	612,870
1939	67	24,498,783	812,832

The Net Earnings of the Company for the year 1939, after provision for dividends on Preferred Stock, amounted to \$2.34 per share of Common Stock (based on 321,629 shares of Common Stock outstanding on December 31, 1939).

DIVIDENDS

Dividends of \$1.00 per share on the Common Stock were paid at the rate of 25c each quarter of 1939. Regular quarterly dividends aggregating \$1.37½ per share were paid on the Preferred Stock and accrued dividends (at the rate of \$1.37½ per share per annum) to the date of conversion were paid on such of the Preferred Stock as was converted into Common.

PREFERRED STOCK

As stated in the last Annual Report, in March 1939, there were outstanding at that time 50,000 shares of Cumulative Convertible Preferred Stock, carrying an annual dividend of \$1.37½ per share.

During the year 6,394 shares of the Preferred Stock were converted into 9,589 shares of Common Stock and 350 shares of the Preferred Stock, purchased by the Company for the Preferred Stock sinking fund, were cancelled, so that as at December 31, 1939, there were outstanding 43,256 shares of the Preferred Stock.

COMMON STOCK

At the beginning of the year 1939, there were outstanding 310,540 shares of Common Stock, par value \$1.00 per share. 9,589 additional shares were issued during the year (of which 7935 were issued in December) for converted Preferred Stock and 1500 shares were issued (also in December) as part consideration for the acquisition by your Company of a chain of 13 super markets in the State of New Jersey, formerly operated as the King Arthur Markets. There were, consequently, 321,629 shares of Common Stock issued and outstanding at the end of the year.

CAPITAL EXPENDITURES AND OPERATING UNITS

During the year your Company and its wholly-owned subsidiaries opened 12 and acquired 21 super markets

On the 1st day of October, 1939, your Company purchased the above-mentioned King Arthur chain of 13 super markets, all of which were operated under one management and all of which were located in the northern part of New Jersey. In connection with this purchase your Company agreed to issue, as part con-

sideration for the assets being acquired, 12,000 shares of Common Stock (of which 1500 shares were issued in December, 1939) and the balance of which is issuable on the 1st day of March, 1940, and the 1st day of March, 1941. On the 4th day of November, your Company purchased a chain of five super markets and one store, all of which were operated under one management and all of which were located in Baltimore, Maryland.

All of the super markets in operation at the beginning of the year as well as all opened or acquired during the year (except the one store above-mentioned which was combined with one of your Company's super markets) are now in operation. These units are listed inside the back cover of this report.

The Company continued its policy of acquiring locations by lease, where possible, rather than by purchase. In several instances, however, it was deemed advisable, considering all the circumstances, to purchase the premises in which super markets were either being operated or in which their operation was contemplated by your Company. Title to these properties was taken in the name of Harold Realty Co., Inc., a Pennsylvania corporation, which is a wholly-owned subsidiary of your Company.

As a result of the acquisitions referred to and the opening of additional markets, the number of units in operation increased from 34 on January 1, 1939, to 67 at the year-end. Your officers and directors are pleased to report that the sales records for 1939 of the super markets operated by the Company prior to 1939, as well as those acquired and opened during 1939, have been entirely satisfactory.

Because of the favorable results secured from the units opened in 1939 and the continued progress of the older markets,

your Company expects to continue its expansion program during 1940. It is believed that there are many communities in which Food Fair units might supply economical food-purchasing facilities of a character not now available.

MANAGEMENT AND PERSONNEL

During the year your Company entered into labor agreements with the following Unions, all affiliated with the American Federation of Labor:

Retail Clerks International Protective Association.

Amalgamated Meat Cutters and Butchers Workmen of North America, and

Storage Warehouse Employees Union.

The established policy of promoting and advancing men from the ranks was continued during 1939 and brought gratifying results.

DEVELOPMENT OF BUSINESS


Your Company's policy of operating all departments in each of its super markets has been followed consistently, except in several units acquired during the year in which the terms of concessions let by the previous operators of the markets have not yet expired. Your Company intends to assume the operation of each of these leased departments as the terms of the respective concessions expire. The wisdom of this policy of

direct operation has been further substantiated by last year's earnings. A direct and complete control is maintained over every product sold and the tendency of a Concessionaire to operate his particular department for his own personal benefit, without regard for the effect upon the market as a whole, is completely eliminated. This factor of centralized and undivided control, together with the economies secured by careful and efficient management, has enabled your Company to offer merchandise at competitive prices.

Your Company has also maintained its policy of offering, in each unit, an extensive variety of products — not only as to various grades of one item but also as to the number of items carried. In a few words, your officers consider each Food Fair unit a "Food Department Store" and the record indicates the success of this policy.

COOPERATION

The Management desires to express its appreciation of the loyal support given it during the past year by its stockholders and employees, and it will during the coming year endeavor to continue the operation of your Company on an efficient and aggressive basis.

A handwritten signature in cursive script that reads "Samuel Friedland".

President.

UNION PREMIER FOOD STORES, INC. LTD.
CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

Cash on hand and demand deposits.....		\$837,095.73
Accounts receivable, trade.....		37,878.76
Inventories, at cost or market, whichever lower:		
Merchandise in warehouse.....	\$916,718.74	
Merchandise in stores.....	824,013.28	
Merchandise in transit.....	15,093.36	
Store supplies.....	61,108.03	
		1,816,933.41
Notes receivable and advances, truckers.....		20,481.19
		\$2,712,389.09
Security investments.....		1,090.00

FIXED ASSETS, at cost:

Land and buildings.....	\$614,930.76	
Less Mortgages, not assumed.....	169,250.00	
		445,680.76
Store, warehouse and office fixtures and equipment and im- provements to leased properties.....	1,542,346.25	
Automobiles and trucks.....	46,823.39	
		2,034,850.40
Less allowances for depreciation and amortization.....	393,158.41	
		1,641,691.99
Prepaid and deferred accounts.....		42,828.29
Deposits with landlords, public utilities, etc.....	20,287.95	
Cash surrender value of insurance on officer.....	11,292.03	
Preferred stock sinking fund, deposit in bank.....	21,417.50	
		52,997.48
Goodwill.....		191,133.66
		\$4,642,130.51

NOTES: At December 31, 1939, the companies had in their stores and the acquisition of a parcel of real estate estimated at \$172,000.
(a) Certain stores, property, and business were sold for consideration. The issuance of 10,500 shares is authorized by the sellers.

ASSETS WHOLLY OWNED SUBSIDIARIES
AS OF DECEMBER 31, 1939

LIABILITIES

CURRENT:

Notes payable:

Bank	\$500,000.00
Trade acceptances	96,836.27
For equipment	5,283.44

\$602,119.71

Accounts payable, trade, etc.....

386,700.85

Accrued liabilities:

Salaries and wages.....	22,677.76
Taxes, including Federal and State income taxes.....	289,714.76
Other	11,952.08

324,344.60

Total current liabilities.....

\$1,313,165.16

CAPITAL

CAPITAL STOCK:

Cumulative preferred, par \$15, authorized 250,000 shares (specific preferences determinable upon approvals of issues) of which 50,000 shares were issued; convertible; dividend \$1.37½ annually; redeemable at \$27 per share (entitled in involuntary liquidation to \$25 per share); 43,256 shares outstanding stated at \$27 per share including \$12 per share capital surplus appropriated for preferred stock..... \$1,167,912.00

Common, par \$1, authorized 750,000 shares; issued 321,629 shares; issuance deferred to 1940 and 1941, 10,500 shares, see Note (a) 332,129.00

(Options are outstanding to purchase 50,000 shares at \$13 per share at any time to March 1, 1942.)

SURPLUS, as annexed:

Capital surplus, unappropriated..... 1,051,263.48

Earned surplus:

Reserved 1939 for retirement of preferred stock	\$30,000.00	
Unappropriated	747,660.87	777,660.87

3,328,965.35

\$4,642,130.51

in and partially under contract, the construction of three
estab to complete which, not including merchandise stocks, is
versed in 1939 for 12,000 shares of common stock and other
is until 1940 and 1941 to assure performance of covenants

CONSOLIDATED CAPITAL SURPLUS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1939

Capital surplus, unappropriated, January 1, 1939..... \$833,897.05

Add:

Premium on sale of 25,000 shares of preferred
stock in excess of par value \$175,000.00

Surplus resulting from conversion of 6,394 shares
of preferred stock, stated at \$27 per share, into
9,589 shares common stock, par \$1 163,015.68

Retirement of 350 shares of preferred stock at less
than value at which stated 867.50

Acquisition of property for 12,000 shares of com-
mon stock (par \$1) at \$16 2/3 per share..... 188,000.00

526,883.18

\$1,360,780.23

Less:

Difference between par value, \$15, and redemp-
tion price, \$27, appropriated for 25,000 shares of
preferred stock sold 300,000.00

Expenses in connection with acquisition of stores,
property, and business 9,516.75

309,516.75

Capital surplus, unappropriated, December 31, 1939..... \$1,051,263.48

CONSOLIDATED EARNED SURPLUS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1939

Earned surplus, January 1, 1939.....	\$335,868.26
Net income for the year ended December 31, 1939, as annexed.....	812,832.27
	<hr/>
	\$1,148,700.53

Dividends paid in cash:

Common stock, \$1 per share.....	\$310,984.00
Preferred stock, \$1.37½ per share, and accrued dividends on preferred stock converted.....	60,055.66
	<hr/>
	371,039.66
	<hr/>
Earned surplus, December 31, 1939.....	\$777,660.87
Reserved 1939 for retirement of preferred stock.....	30,000.00
Unappropriated	747,660.87
	<hr/>
	<u>\$777,660.87</u>

CONSOLIDATED INCOME ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1939

Sales		\$24,498,783.26
Cost of goods sold:		
Inventory, January 1, 1939	\$941,302.52	
Purchases, net of discounts	20,081,487.81	
	\$21,022,790.33	
Inventory, December 31, 1939	1,740,732.02	
		19,282,058.31
Gross profit		\$5,216,724.95
Operating expenses:		
Maintenance and repairs	64,865.03	
Depreciation of equipment and buildings and amortization	183,394.02	
Taxes, other than income taxes	148,728.03	
Rents	242,809.09	
Store Wages, Operating, General and Administrative Expenses	3,590,014.22	
		4,229,810.39
		\$986,914.56
Other income:		
Dividends	66.90	
Interest	471.80	
Rents received	57,829.01	
		58,367.71
Income before interest and income taxes		\$1,045,282.27
Interest paid		10,369.27
		\$1,034,913.00
Income before income taxes		\$1,034,913.00
Provision for Federal and State income taxes		222,080.73
		\$812,832.27
Net income		

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

PACKARD BUILDING
PHILADELPHIA

RESIDENT PARTNERS
T. EDWARD ROSS
JOSEPH M. PUGH
JOHN HODD JR.
GEORGE R. DRABENSTADT
A. KARL FISCHER
CLARENCE R. HAAS
FREDERICK S. METZLER

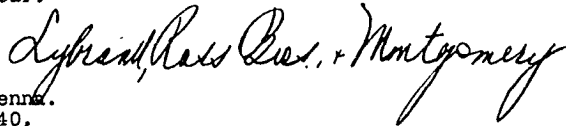
NEW YORK
PHILADELPHIA
CHICAGO
BOSTON
BALTIMORE
WASHINGTON
PITTSBURGH
DETROIT
CLEVELAND
CINCINNATI
ROCKFORD
LOUISVILLE
ST. LOUIS
ATLANTA
DALLAS
HOUSTON
SAN FRANCISCO
LOS ANGELES
SEATTLE
LONDON
PARIS

Union Premier Food Stores, Inc.,
Philadelphia.

We have examined the consolidated balance sheet of
UNION PREMIER FOOD STORES, INC.

and its wholly owned subsidiaries as of December 31, 1939,
and the consolidated statements of income and surplus for the
year then ended, have reviewed the systems of internal con-
trol and the accounting procedures of the companies and with-
out making detailed audits of the transactions, have examined
or tested accounting records of the companies and other sup-
porting evidence, by methods and to the extent we deemed ap-
propriate.

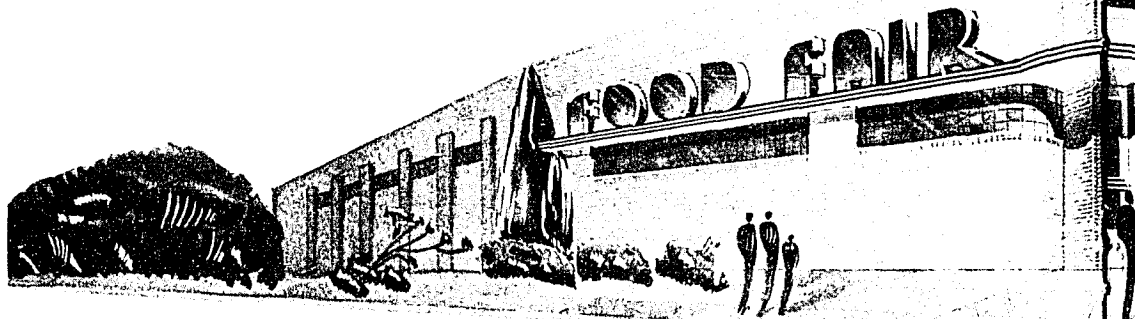
In our opinion, the accompanying consolidated balance
sheet and related consolidated income and surplus accounts
present fairly the consolidated position of the companies at
December 31, 1939, and the consolidated results of their oper-
ations for the year, in conformity with generally accepted ac-
counting principles applied on a basis consistent with that of
the preceding year.



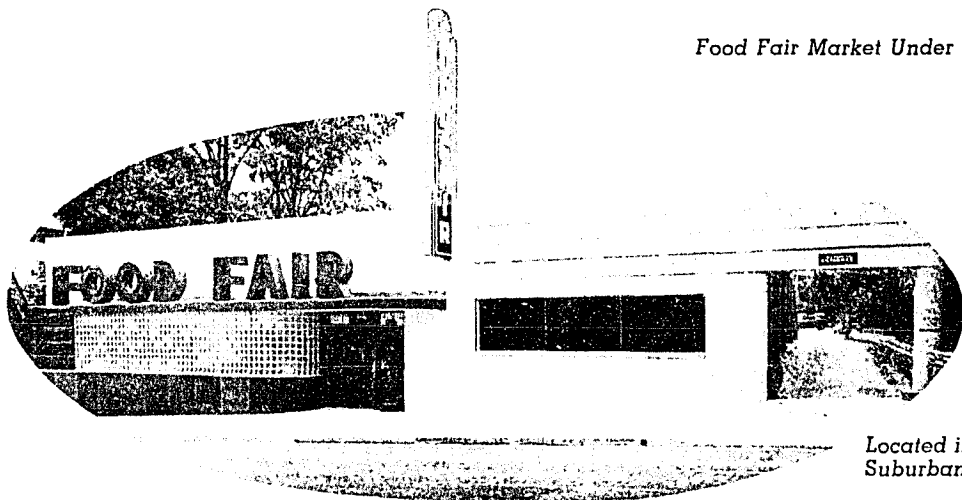
Philadelphia, Penna.
February 28, 1940.



Front View of a Food Fair Market in Haledon, N. J.



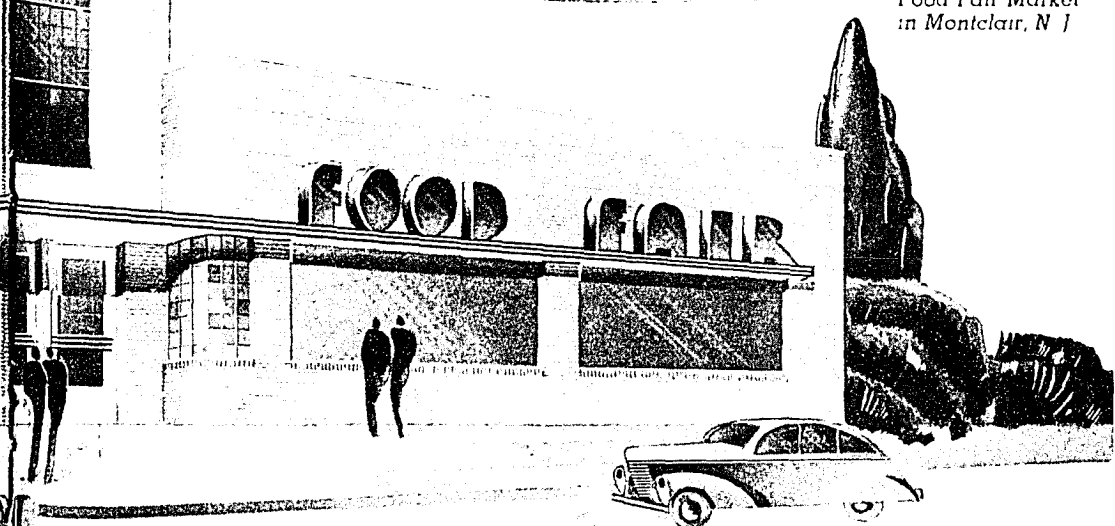
Food Fair Market Under Construction



Located in Jenkintown, Suburban Philadelphia



Food Fair Market
in Montclair, N J



in West Reading, Penna



One of the twelve
Food Fair Markets
in Baltimore, Md.

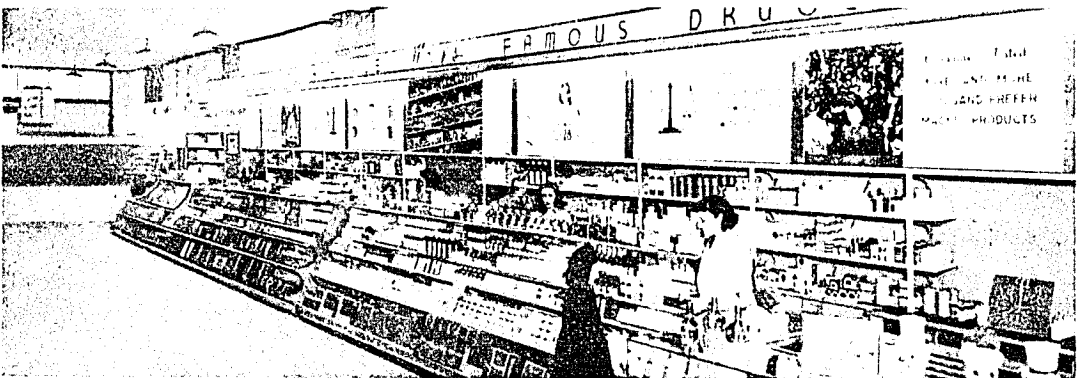


A TYPICAL VIEW OF MASS DISPLAY IN FOOD FAIR MARKETS



General View of

Shoppers in a Food Fair



MACY'S NEW YORK DRUG DEPT OPERATED BY FOOD FAIR IN BALTIMORE

UNION PREMIER FOOD STORES, INC.

Operating Super Markets under the name of FOOD FAIR & KING ARTHUR

ALLENTOWN, PA.

913-21 Walnut Street
7th & Allen Streets
Madison & Liberty Sts.

ATLANTIC CITY, N. J.

2719 Atlantic Avenue

BALTIMORE, MD.

2720 W. North Avenue
3901-25 Belvedere Ave.
405 N. Franklinton Rd.
2515 Greenmount Avenue
Fleet & Haven Streets
631-37 S. Broadway
801-7 W. Baltimore St.
449-57 N. Gay Street
Monument & Rose Streets
1211-13 S. Charles Street
2140 N. Fulton Avenue

BELLEVILLE, N. J.

524 Washington Avenue

BETHLEHEM, PA.

79 W. Broad Street
Broadway & Montclair Ave.

BRYN MAWR, PA.

646 Lancaster Avenue

CAMDEN, N. J.

1706 Federal Street

CATONSVILLE, MD.

743-47 Frederick Road

CHESTER, PA.

5th & Water Streets

CLIFTON, N. J.

746 Main Avenue

COATESVILLE, PA.

342 E. Main Street

COLLINGSWOOD, N. J.

Park Ave. & White Horse Pike

COLUMBIA, PA.

343 Locust Street

ELIZABETH, N. J.

1122 Elizabeth Avenue
Frelinghuysen Avenue

HALEDON, N. J.

339 Haledon Avenue

HARRISBURG, PA.

27-29 N. Cameron Street
205 S. 17th Street
302 Muench Street

IRVINGTON, N. J.

976 Springfield Avenue

JENKINTOWN, PA.

440 Old York Road

LEBANON, PA.

17 N. 9th Street
614 Cumberland Street

LEMOYNE, PA.

331 Market Street

MONTCLAIR, N. J.

Bloomfield Ave. & Francis Place

MORRISTOWN, N. J.

115 Spring Street

NEW BRUNSWICK, N. J.

Albany & George Streets

NORRISTOWN, PA.

103 E. Main Street

NORTH BERGEN, N. J.

957 Bergenline Avenue

PASSAIC, N. J.

42-58 River Drive
197 Washington Place

PATTERSON, N. J.

355-67 Market Street

PERTH AMBOY, N. J.

226 Smith Street

PHILADELPHIA, PA.

2200 E. Allegheny Ave.
1976-80 Hunting Park Avenue
73rd & Elmwood Avenue
7262 Frankford Avenue
Germantown Ave. & Haines Street
6425 Torresdale Ave.
853 S. 55th Street
5800 Old York Road

PLAINFIELD, N. J.

230 West Front Street

READING, PA.

125-127 S. Fifth Street
10th & Penn Streets

RED BANK, N. J.

77 Broad Street

RUTHERFORD, N. J.

84 Park Avenue

TRENTON, N. J.

400 Block Pennington Ave.

UNION CITY, N. J.

685 Bergenline Avenue

WEST NEW YORK, N. J.

152-60 Sixteenth Street

WILMINGTON, DEL.

2005 Penna. Avenue
3114 Market Street
212 W. 6th Street

YORK, PA.

606-610 S. George Street
143 Roosevelt Avenue